Exhibit C

Le-Nature's, Inc.

Financial Statements
Years Ended December 31, 2004 and 2003

BDO

BDO Seidman, LLP
Accountants and Consultants

Le-Nature[redacted]

BDO Seidman, LLP
Accountants and Consultants

1700 Market Street, 29th Floor
Philadelphia, Pennsylvania 19103-3962
Telephone: (215) 636-5500
Fax: (215) 636-5501

Report of Independent Certified Public Accountants

To The Board of Directors and Stockholders of
Le-Nature's, Inc.
Latrobe, Pennsylvania

We have audited the balance sheets of Le-Nature's, Inc. as of December 31, 2004 and 2003, and the related statements of income, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2004 and 2003 financial statements referred to above present fairly, in all material respects, the financial position of Le-Nature's, Inc. at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

BDO Seidman, LLP

BDO Seidman, LLP
February 25, 2005

December 31,	2004	2003
Assets		
Current assets		
Cash and cash equivalents	$ 1,649,796	$ 3,322,617
Accounts receivable, less allowance for doubtful accounts of $275,000 and $500,000 for 2004 and 2003, respectively and allowance for trade spending of $620,582 and $0 for 2004 and 2003, respectively	8,831,264	18,307,924
Inventories	32,800,070	38,077,946
Prepaid expenses, deposits and other current assets	1,563,422	3,070,577
Refundable income taxes	1,753,618	3,943,269
Total current assets	46,598,170	66,722,333
Property, plant and equipment, net	358,466,202	235,822,258
Other assets, net	20,744,514	12,688,253
Total assets	$ 425,808,886	$ 315,232,844

Le-Nature[redacted]

Balanc[redacted]

December 31,	2004	2003
Liabilities and Stockholders' Equity		
Current liabilities		
Current maturities of		
Long-term debt	$ 750,000	$ 1,746,690
Capital lease obligations	1,790,776	3,496,488
Accounts payable	4,255,436	2,140,223
Other current liabilities	1,756,658	1,346,282
Income taxes payable	1,319,140	93,948
Total current liabilities	9,872,010	8,823,631
Deferred tax liability	41,057,752	20,309,804
Long-term debt, net of current maturities	273,687,500	196,550,087
Capital lease obligations, net of current obligations	4,367,021	14,735,707
Total liabilities	328,984,283	240,419,229
Commitments and contingencies		
Stockholders' equity		
Preferred Stock Series A		
Convertible, stated value $0.01, authorized 168,389 shares, issued and outstanding 164,340 and 164,339 shares, respectively	28,000,184	23,407,408
Preferred Stock Series B		
Par value $0.01 authorized 17,214,080, none outstanding	—	—
Reserved Series Preferred Stock		
Par value $0.01 authorized 1,000,000, none outstanding	—	—
Common stock, no par value, stated value $0.01, authorized 1,500,000 shares, issued and outstanding 200,000 shares	2,000	2,000
Additional paid-in capital	27,432,231	27,432,231
Warrants	273,984	274,050
Retained earnings	41,116,204	23,697,926
Total stockholders' equity	96,824,603	74,813,615
Total liabilities and stockholders' equity	$ 425,808,886	$ 315,232,844

See accompanying notes to financial statements.

Le-Nature[redacted]

Statements o[redacted]

Year ended December 31,	2004	2003
Sales		
Gross sales	**$ 228,812,363**	$ 179,905,164
Trade spending	**(21,743,184)**	(24,158,477)
Net sales	**207,069,179**	155,746,687
Cost of goods sold	**97,156,533**	91,210,742
Gross profit	**109,912,646**	64,535,945
Operating expenses, selling, general and administrative	**45,670,186**	21,880,446
Income from operations	**64,242,460**	42,655,499
Interest expense	**(16,206,081)**	(11,108,885)
Other (loss) disposal of property, plant and equipment	**(1,234,999)**	—
Loss on flood-damaged inventory	**(8,432,005)**	—
(Loss) on refinancing	**(2,419,148)**	(10,283,473)
Income before income taxes	**35,950,227**	21,263,141
Provision for income taxes	**13,939,239**	7,994,563
Net income	**$ 22,010,988**	$ 13,268,578

See accompanying notes to financial statements.

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Statements of Sto[redacted]

	Preferred Stock Series A	Common Stock	Additional Paid-In Capital	Warrants	Retained Earnings	Total Stockholders' Equity
Balance, December 31, 2002	$ —	$ 2,000	$ 27,432,231	$ 274,050	$ 14,229,046	$ 41,937,327
Net income	—	—	—	—	13,268,578	13,268,578
Reclassification of Series A convertible preferred stock	19,607,710	—	—	—	—	19,607,710
Accretion of Series A convertible preferred stock	3,799,698	—	—	—	(3,799,698)	—
Balance, December 31, 2003	23,407,408	2,000	27,432,231	274,050	23,697,926	74,813,615
Net income	—	—	—	—	22,010,988	22,010,988
Exercise of warrant	66	—	—	(66)	—	—
Accretion of Series A convertible preferred stock	4,592,710	—	—	—	(4,592,710)	—
Balance, December 31, 2004	**$ 28,000,184**	**$ 2,000**	**$ 27,432,231**	**$ 273,984**	**$ 41,116,204**	**$ 96,824,603**

See accompanying notes to financial statements.

Le-Nature[redacted]

Statements of Ca[redacted]

Year ended December 31,		2004	2003
Cash flows from operating activities			
Net income	$	**22,010,988**	$ 13,268,578
Adjustments to reconcile net income to net cash flows provided by operating activities			
Depreciation and amortization		**20,363,375**	14,114,668
Amortization of deferred financing costs		**1,059,614**	912,078
Write-off of deferred financing costs		—	7,353,439
Bad debts and trade spending		**(2,640,293)**	250,000
Non-cash compensation		—	215,900
Loss on disposal of property, plant and equipment		**1,339,365**	—
Deferred taxes, net		**12,979,313**	10,306,345
Change in certain assets and liabilities:			
Decrease (increase) in assets			
Accounts receivable		**12,116,953**	(2,026,517)
Inventories		**5,277,876**	(27,125,939)
Prepaid expenses, deposits and other current assets		**1,507,155**	2,404,934
Refundable income taxes		**2,189,651**	(3,943,269)
Increase (decrease) in liabilities			
Accounts payable		**2,115,213**	(1,274,886)
Other current liabilities		**410,376**	922,716
Income taxes payable		**1,225,192**	(3,514,005)
Net cash provided by operating activities		**79,954,778**	11,864,042
Cash flows (used in) investing activities			
Purchases of property, plant and equipment		**(144,346,684)**	(84,916,714)

Le-Nature[redacted]

Statements of Ca[redacted]

Year ended December 31,	2004	2003
Cash flows from financing activities		
(Repayments) borrowings on lines of credit, net	$ —	$ (983,289)
Borrowings on long-term debt	130,000,000	358,233,450
(Repayments) on long-term debt	(53,859,277)	(249,938,569)
(Repayments) on capital lease obligations	(12,074,398)	(18,068,151)
Debt issuance costs	(1,347,240)	(15,522,176)
Net cash provided by financing activities	62,719,085	73,721,265
Net (decrease) increase in cash and cash equivalents	(1,672,821)	668,593
Cash and cash equivalents at beginning of year	3,322,617	2,654,024
Cash and cash equivalents at end of year	$ 1,649,796	$ 3,322,617
Supplemental disclosures of cash flow information		
Cash payments for interest, net of amounts capitalized	$ 14,605,585	$ 9,613,829
Cash payments for income taxes	$ (4,739,861)	$ 3,496,460
Non-cash borrowing for capital leases	$ —	$ 950,564

See accompanying notes to financial statements.

1. Operations

Le-Nature's, Inc. (the "Company"), a Delaware corporation located in Latrobe, Pennsylvania, is a privately-owned beverage manufacturing company. The Company produces beverages including bottled water, iced teas, and juice drinks with all natural ingredients using a full tunnel in-bottle pasteurization process to eliminate any microorganism contamination and seal in flavor. The Company's customers are primarily major supermarkets, convenience stores, and companies that distribute to supermarkets and convenience stores in the United States.

2. Summary of Significant Accounting Policies

The accompanying financial statements reflect the application of the following significant accounting policies.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue Recognition

The Company recognizes revenue upon transfer of title, which occurs when products are delivered to customer locations.

No single customer exceeded 10% of the Company's sales during the years ended December 31, 2004 and 2003.

Reclassification

Certain amounts in the 2003 financial statements have been reclassified to conform to the 2004 presentation.

Advertising and Marketing Costs

The Company is involved in a variety of programs to promote their products. The Company includes advertising and marketing costs in selling, general and administrative expenses in the year incurred. Advertising and marketing costs were $7,520,452 and $2,045,285 for the years ended December 31, 2004, and 2003, respectively.

Trade Spending

The Company incurs trade spending costs, including slotting fees, which are paid to individual supermarkets and supermarket chains to obtain initial shelf space for products, price adjustments, bill-backs and other spending. Since the Company has not obtained contractual guarantees from the stores to carry its products for a finite period, the Company has expensed such costs when the obligation is incurred. Trade spending expenses of $21,743,184 and $24,158,477 are recorded as a reduction of gross sales during the years ended December 31, 2004 and 2003, respectively.

Barter Transaction

In 2003, the Company entered into a barter transaction. The Company traded Black China Tea Leaf with a carrying value of approximately $16,049,000 in return for receiving Polyethylene Terephthalate ("PET") plastic bottles and preforms with an estimated carrying value of $15,741,000. As a result of this transaction, the Company recorded a loss of approximately $308,000, which is included in cost of sales. No transactions of this nature occurred during 2004.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, cash in banks and cash equivalents, which are highly liquid investments purchased with maturity of three months or less.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are customer obligations due under normal trade terms. The Company sells its products through distributors and directly to consumers.

Management reviews accounts receivable periodically to determine if any receivables will potentially be uncollectible. The Company includes any accounts receivable balances that are determined to be uncollectible, along with a general reserve, in its allowance for doubtful accounts. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Based on information available, management believes its allowance for doubtful accounts as of December 31, 2004 and 2003 is adequate. However, actual write-offs might exceed the recorded allowance.

Inventories

Inventories are stated at the lower of cost, determined on the first-in, first-out method, or market value.

Prepaid Expenses, Deposits and Other Current Assets

Prepayments are expenditures for goods (other than inventories) or services before the goods are used or services received. Prepayments are deferred and charged to operations as the benefits are realized. Deposits are expenditures for inventories that will be used directly in the production of goods but have not been received. The Company has a long-term standing relationship with a tealeaf supplier; however, due to the vendor importing significant amounts of tea and tea products, the vendor requires advance payments to secure future shipments. The Company did not have funds deposited with this vendor and others for future receipt of raw materials at December 31, 2004 and 2003, respectively.

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost. Equipment under capital lease is stated at the lower of the fair market value at the date of acquisition or net present value of the minimum lease payments at the inception of the lease. The Company provides for depreciation using the straight-line method beginning in the month of acquisition over the estimated useful life of the assets. Expenditures for ordinary maintenance and repairs, which do not extend the lives of the applicable assets, are charged to expense as incurred, while renewals and improvements that materially extend the lives of the applicable assets are capitalized and depreciated.

Maintenance and repair expenses of $2,585,532 and $1,391,652 were recorded during the years ended December 31, 2004 and 2003, respectively. Upon sale or retirement, the related cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the accompanying statements of income.

Effective January 1, 2003, the Company changed the useful lives of certain machinery and equipment to better match actual useful life and industry averages. This change in accounting estimate decreased depreciation by $3,027,521 for the year ended December 31, 2003. The Company had recorded this change in cost of goods sold.

Other Long-Term Assets

Other long-term assets consist of security deposits and deferred loan costs. Security deposits associated with certain leases totaled $276,495 at both December 31, 2004 and 2003. Deferred loan costs are amortized over the terms of the related debt agreements. Deferred loan costs (net of accumulated amortization of $1,611,633 and $552,019, respectively) were $8,126,234 and $7,838,608 at December 31, 2004 and 2003, respectively.

Impairment of Long-Lived Assets

The Company continually monitors conditions that may affect the carrying value of its long-lived assets. When conditions indicate potential impairment, the Company will reevaluate projected future cash flows associated with the asset. When projected future cash flows, not discounted for the time value of money, are less than the carrying value of the asset, the asset will be written down to its estimated market value.

Income Taxes

The Company provides deferred income taxes for the tax effects of temporary differences between the financial reporting and income tax basis of the Company's assets and liabilities.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk, consist principally of cash and accounts receivable. The Company places its cash with high-quality financial institutions. At times, such amounts may be in excess of the Federal Deposit Insurance Corporation insurance limit of $100,000. At December 31, 2004 and 2003, substantially all of the Company's cash balances are uninsured, however, the Company has not experienced any losses on such amounts. With respect to accounts receivable, the Company performs ongoing credit evaluations of its customers' financial condition before extending credit. At December 31, 2004, one customer accounted for approximately 10% of accounts receivable.

Stock-Based Compensation

The Company grants stock options for a fixed number of shares to employees, non-employee directors, and consultants and advisors who perform service for the Company with an exercise price equal to, greater than, or less than the fair value of the shares at the date of grant. The Company accounts for stock option grants using the

Black-Scholes option pricing model. In December 2002, the FASB issued Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment of FASB Statement No. 123 ("SFAS 148"). SFAS 148 amends FASB Statement No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that Statement to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation. The Company has adopted the enhanced disclosure requirements of SFAS 148 (see Note 12).

Shipping and Handling Costs

The Company's policy is to record shipping and handling costs within selling, general and administrative expenses since the Company does not currently bill its customers for its shipping and handling costs. Shipping and handling costs of $11,014,041 and $2,759,743 were recorded during the years ended December 31, 2004 and 2003, respectively.

Fair Value of Financial Instruments

The carrying amounts and estimated fair values of the Company's financial instruments at December 31 are as follows:

	2004		2003	
	Carrying Amount	*Fair Value*	*Carrying Amount*	*Fair Value*
Cash and cash equivalents	$ 1,649,796	$ 1,649,796	$ 3,322,617	$ 3,322,617
Capital lease obligations	6,157,797	7,348,528	18,232,195	22,686,084
Long-term debt	274,437,500	273,068,530	198,296,777	197,397,039

Cash and Cash Equivalents

The carrying amount for cash and cash equivalents approximate their fair value due to their short-term nature.

Capital Lease Obligations and Long-Term Debt

The fair value of capital lease obligations and long-term debt are estimated based upon the quoted market prices for the same or similar issues.

3. Inventories

Inventories consist of the following:

December 31,	**2004**	2003
Raw materials and supplies	**$ 30,757,469**	$ 37,410,153
Finished goods	**2,108,811**	667,793
	32,866,280	38,077,946
Less reserve for obsolete raw material inventory	**(66,210)**	—
Total	**$ 32,800,070**	$ 38,077,946

In late 2004, the Company incurred extensive damage to certain of its raw material inventories as a result of the flood-waters experienced from Tropical Depression Ivan. It was determined that this loss is not insurable and as such, the Company recognized a loss of $8,432,005 on this damaged inventory. This loss is included in the financial statements as a non-operational expense. Additionally, it was also determined that the applicable income tax guidance for treatment as a casualty loss deduction applies with the resulting benefit of reducing the Company's income tax liability for 2004.

4. Property, Plant and Equipment, Net

Property, plant, and equipment consists of the following:

December 31,	2004	2003
Land and improvements	**$ 1,076,284**	$ 1,076,284
Buildings and improvements	**33,009,532**	26,225,086
Machinery, equipment and fixtures	**275,392,326**	162,492,003
Construction in progress	**116,575,558**	95,343,734
	426,053,700	285,137,107
Less accumulated depreciation	**67,587,498**	49,314,849
Property, plant and equipment, net	**$ 358,466,202**	$ 235,822,258

Depreciation is calculated on a straight-line basis over the estimated lives of the assets as follows:

Buildings and improvements	20 – 40 years
Machinery, equipment and fixtures	3 – 20 years
Land improvements	10 years

Depreciation and amortization expense, which is included in cost of goods sold in the accompanying income statements, was $20,363,375 and $14,114,668 for the years ended December 31, 2004 and 2003, respectively.

Construction in progress consists of costs incurred for machinery and equipment not yet available or ready for use, as well as deposits (advance payments) on property purchases. Deposits on property, plant and equipment were $113,090,306 and $94,909,231 at December 31, 2004 and 2003, respectively.

Property, plant and equipment includes capitalized interest related to the construction of certain assets. Interest capitalized amounted to $6,096,521 and $3,149,167 for the years ended December 31, 2004 and 2003, respectively.

5. Line of Credit

In conjunction with a $100,000,000 senior debt financing transaction entered into by the Company with a group of lenders on June 23, 2003, the Company now has available a five-year senior secured revolving credit facility available to finance working capital requirements. This $100,000,000 revolving credit facility bears interest either at LIBOR plus 3.25% or prime plus 2.25%, at the Company's option. The borrowings currently outstanding under this facility bear interest at 4.25%. The facility is payable in installments of interest only until maturity with the remaining principle due on March 31, 2008. At December 31, 2004 and 2003, the Company has borrowed $50,000,000 and $40,000,000, respectively. As a result of the long-term nature of this facility, the Company has classified it as long-term debt (see Note 6).

6. Long-Term Debt

On May 20, 2004, the Company entered into a first amendment to the June 23, 2003 credit agreement with the same group of lenders that allowed for a Tranche B Term Loan in the amount of up to $75,000,000. This Tranche B Term Loan bears interest either at LIBOR plus 4.0% or prime plus 3.0%, at the Company's option. This term loan is repayable in quarterly principal payments of $187,500 with the outstanding principal balance due at the term loan's maturity date of June 23, 2010. The borrowings currently outstanding under this term loan bear interest at various rates between 5.875% and 8.25%. During 2004, the Company borrowed the entire principal amount on the Tranche B Term Loan. At December 31, 2004, the outstanding borrowings totaled $74,437,500. As a result of the long-term nature of this facility, the Company has classified it as long-term debt.

Relevant information regarding the Company's borrowings under its line of credit agreements consists of the following:

December 31,	**2004**	2003
Outstanding borrowings, end of period	**$ 124,437,500**	$ 40,000,000
Average outstanding balance throughout the period	**84,289,104**	14,404,141
Maximum outstanding balance throughout the period	**124,437,500**	40,000,000
Weighted-average interest rate for the period	**5.10%**	3.27%

Long-term debt consists of the following:

December 31,	2004	2003
9% Senior Subordinated Notes due 2013, payable in semi-annual installments of interest only until maturity through June 15, 2013.	**$ 150,000,000**	$ 150,000,000
Revolving credit facility, interest at 4.25%, payable in installments of interest only until maturity with the remaining principal due March 31, 2008, collateralized by specific assets.	**50,000,000**	40,000,000
Tranche B term loan, interest at various rates between 5.875% and 8.25%, payable in quarterly installments of $187,500 until maturity with the remaining principal due June 23, 2010, collateralized by specific assets.	**74,437,500**	—
Note payable, interest currently at 4.61%, payable in monthly installments of $145,447, excluding interest, through September 2008, collateralized by equipment.	—	8,296,777
	274,437,500	198,296,777
Less current maturities	**750,000**	1,746,690
Long-term debt	**$ 273,687,500**	$ 196,550,087

The Prime rate at December 31, 2004 and 2003 was 5.25% and 4.00%, respectively.

On April 14, 2003, the Company entered into a $150,000,000 senior debt financing transaction with a group of banks. The proceeds from this transaction were used to refinance the Company's existing debt and certain capitalized leases, provide working capital and finance permitted capital expenditures. This credit agreement permitted subsequent incremental additions of up to $10,000,000 in second lien term loan facilities and $25,000,000 in senior secured capital expenditure facilities. On June 23, 2003 this entire credit facility was paid off with the proceeds of an offering of $150,000,000 of 9% Subordinated Notes due June 15, 2013. As of December 31, 2003, no amounts could be borrowed under the April 14, 2003 credit facility.

As indicated above, on June 23, 2003, the Company issued $150,000,000 of 9% Subordinated Notes ("the Notes") due June 15, 2013. The proceeds from this transaction were used to refinance the Company's existing debt obligations. In connection with this refinancing, the Company wrote-off $7,353,439 in deferred financing costs from the April 14, 2003 credit facility and incurred a $2,930,034 loss on the early extinguishment of debt.

The Notes have a maturity date of June 15, 2013, with interest due in semi-annual installments beginning on December 15, 2003. The Company may redeem all or part of the original principal amount of the Notes at any time on or after June 15, 2008, at various redemption prices as defined. The Company may also redeem up to 35% of the original principal amount of the Notes at any time on or prior to June 15, 2006, at 109% of the principal amount of the Notes to be redeemed, plus accrued and unpaid interest thereon.

Under the terms of the Notes, the Company is required, among other things, to comply with certain financial covenants. These include, but are not limited to, maintaining certain cash flow coverage ratios, debt-to-tangible net worth ratios, minimum tangible net worth coverage, interest service ratio coverage, and certain fixed charge ratios, all of which the Company was in compliance with at December 31, 2004.

In connection with the June 23, 2003 Notes offering, the Company entered into a \$100,000,000 revolving credit facility with a syndicate of financial institutions and institutional lenders. This facility includes both a letter of credit subfacility of \$5,000,000 and a swingline loan subfacility of \$1,000,000. The credit facility matures on June 23, 2008, at which time the entire principal outstanding is due and payable. As of December 31, 2004 and 2003, the Company had outstanding borrowings on the revolving credit facility of \$50,000,000 and \$40,000,000, respectively.

On the last business day of each quarter, the Company will be required to pay each lender a 0.50% commitment fee in respect of any unused commitments under the revolving credit facility. During any fiscal quarter in which average outstandings under the facility are less than 33-1/3% of the total facility, the Company will also be required to pay a 0.25% nonuse fee. Letter of credit fees will equal the applicable margin percentage for LIBOR rate loans plus a fronting fee of 0.125% per year calculated on the aggregate stated amount of each letter of credit.

The various debt facilities are secured by specific Company assets. The credit agreements contain specified covenants that require the Company to maintain certain financial ratios and include restrictions on other liens and encumbrances, acquisitions and dividends. At December 31, 2004, the Company was in compliance with all required covenants.

7. Lease Commitments

The Company has non-cancelable commitments under both capital and long-term operating leases. The capital and operating lease commitments expire at various dates through 2010. Most leases require payment of related executory costs, which include property taxes, maintenance and insurance. Management expects that in the normal course of business, these leases will be replaced by other leases with similar terms.

The future minimum commitments as of December 31, 2004 under non-cancelable capital and operating leases are set forth below:

Twelve months ended December 31,	*Capital Leases*	*Operating Leases*
2005	$ 2,333,727	$ 8,834,875
2006	2,021,683	8,827,502
2007	1,746,361	8,496,932
2008	592,971	6,051,875
2009	592,971	4,234,178
Thereafter	98,829	1,364,659
Total minimum lease payments	7,386,542	$ 37,810,021
Less amount representing interest (5.75% - 10.5%)	1,228,745	
Present value of minimum lease payments	6,157,797	
Less current maturities	1,790,776	
Long-term capitalized lease obligations	$ 4,367,021	

There are lease financial covenants that are no more restrictive than the covenants mentioned above related to long-term debt. At December 31, 2004, the Company was in compliance with all required lease financial covenants.

The assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the assets. During 2003, the Company entered into capital lease obligations totaling $950,564 for the purchase of equipment. There were no new capital lease obligations entered into during 2004.

The assets under capital lease are being amortized over their useful lives. Depreciation and amortization on the equipment acquired under capital leases was $4,069,925 and $5,264,181 for the years ended December 31, 2004 and 2003, respectively. The net book value of the equipment under capital leases at December 31, 2004 and 2003 amounted to $13,628,759 and $17,698,681, respectively.

Operating lease payments are charged to expense as incurred. Such rental expense charged to operations totaled $5,978,752 and $4,528,778 for the years ended December 31, 2004 and 2003, respectively. Additionally, the Company is currently finalizing the terms of an operating lease agreement in the amount of approximately $46,000,000 to finance a portion of the machinery and equipment that will be utilized in the Company's new western manufacturing facility.

8. Commitments and Contingencies

The Company is subject to various claims and contingencies related to lawsuits, taxes, environmental and other matters arising out of the normal course of business. The Company believes that any ultimate liability arising from such claims or contingencies, if any, in excess of amounts already recognized is not likely to have a material adverse effect on the Company's results from operations, financial condition, or liquidity.

9. Income Taxes

The provision for income taxes at December 31, consists of the following:

	2004	2003
Current		
Federal	**$ (384,000)**	$ (2,981,413)
State	**1,500,000**	750,244
	1,116,000	(2,231,169)
Deferred		
Federal	**12,125,077**	9,718,402
State	**698,162**	507,330
	12,823,239	10,225,732
Total provision for income taxes	**$ 13,939,239**	$ 7,994,563

A reconciliation between income taxes computed by applying the statutory U.S. federal income tax rate to income before income taxes and the actual provision for income taxes at December 31 is as follows:

	2004	2003
Income tax at U.S. federal statutory rate	$ 12,223,077	$ 7,229,467
State income taxes, net of federal income tax benefit	1,688,162	829,999
Other	28,000	(64,903)
Total provision for income taxes	$ 13,939,239	$ 7,994,563

Temporary differences that generate significant portions of the Company's deferred tax assets and liabilities as of December 31, were as follows:

	2004	2003
Deferred tax assets		
Stock-based compensation	$ 3,974,508	$ 3,906,585
Bad debt allowance	106,205	189,800
Tax credit carryforwards	—	217,460
Trade spending allowance	239,669	—
Slotting fees	119,654	132,662
Leases	92,033	126,643
Section 263A adjustment	91,716	—
NOL carryforward	7,718,000	—
Total deferred tax assets	$ 12,341,785	$ 4,573,150
Deferred tax liabilities		
Depreciation	$ (39,802,230)	$ (19,360,804)
Other	(909,648)	(759,200)
Total deferred tax liabilities	(40,711,878)	(20,120,004)
Net deferred tax liabilities	$ (28,370,093)	$ (15,546,854)

	2004	2003
Reconciliation to balance sheets		
Current deferred tax asset, net (included in prepaid expenses, deposits and other assets)	$ **345,874**	$ 189,800
Long-term deferred tax asset (included in other assets, net)	**12,341,785**	4,573,150
Non-current deferred tax liability, net	**(41,057,752)**	(20,309,804)
Net deferred tax liabilities	**$ (28,370,093)**	$ (15,546,854)

The Company had alternative minimum tax credit carryforwards of $-0- and $217,460 at December 31, 2004 and 2003, respectively.

10. Preferred Stock

On July 13, 2000, the Company issued 76,300 shares of Series A Convertible and Redeemable Preferred Stock ("Series A") for $13,000,000 ($170.38008 per share) and on September 21, 2000, the Company issued 58,693 shares of Series A for $10,000,118 ($170.38008 per share). Issuance costs, including the fair value of Series A warrants issued as a finder's fee (see Note 11), associated with the Series A transactions were $1,811,814, which were recorded as a reduction in the Series A recorded value. As such, these costs are being accreted as an increase to the Series A recorded value by charges to retained earnings through, January 1, 2005, the earliest Series A conversion date. As of December 31, 2004, these costs have been fully accreted.

On July 12, 2002, the Company issued 29,346 shares of Series A to an existing Series A shareholder for $4,999,974 ($170.38008 per share). Issuance costs associated with the Series A transaction were $34,006, which were recorded as a reduction in the Series A recorded value. As such, these costs are being accreted as an increase to the Series A recorded value by charges to retained earnings through the Series A conversion date. As of December 31, 2004, these costs have been fully accreted. The Company further authorized an additional 2,999,986 shares of its Series B Redeemable Preferred Stock ("Series B"), making a total of 17,214,080 shares of Series B so authorized for issuance.

Upon issuance of the Series A in 2002, a beneficial conversion feature was recognized by allocating a portion of the proceeds equal to the intrinsic value of that feature ($2,482,984) to additional paid-in capital. The beneficial conversion feature is being accreted as an increase to the Series A recorded value by charges to retained earnings through January 1, 2005, the earliest Series A conversion date. As of December 31, 2004, this beneficial conversion feature has been fully accreted.

Subject to applicable antidilution provisions, after January 1, 2005, each share of Series A, at the holder's option, is convertible into one share of common stock ("common") and approximately 102.2 shares of Series B. Fifty percent of the shares (common and Series B) can be put back to the Company at January 1, 2006 with the remaining puttable at January 1, 2007. The Series B redemption value is $16,800,055 and is adjustable if any of the warrants have been exercised prior to the Series B redemption. The Company must redeem all of the outstanding Series A (or, if converted, the Series B) on July 13, 2010. Accordingly, the Series A was reflected as temporary equity as of December 31, 2002. Upon a Qualified Public Offering (defined as an offering with gross proceeds in excess of $30,000,000), the aforementioned put rights are eliminated and the Series A holders automatically receive approximately 102.2 shares of Series B and one share of common, unless the proceeds are $60,000,000 or more, in which case 15% of the common shares, after conversion, are returned to the Company by the Series A holders and cancelled.

Until June 2003, the Series A holders had certain voting, preemptive and other rights that common stockholders did not have. In addition, Series A and B holders did have equal rights with common stockholders to distributions upon liquidation. The Series B holders would receive preferential dividends at a rate of 8% annually payable on December 31 for each year in which Series B are outstanding.

In June 2003, the Company and its stockholders entered into certain amendments to existing agreements and an agreement providing for the amendment of the Company's restated certificate of incorporation concurrently with the closing of the offering by the Company of the Notes. The restated certificate of incorporation and stockholder agreements contain provisions

relating to the nomination of candidates to serve as directors and an agreement to vote shares of the company's voting stock for nominees so designated.

Under the restated certificate of incorporation, Series A is convertible in various circumstances, either wholly into shares of common stock or into shares of common stock and shares of Series B. Series B, on which dividends accrue at the rate of 8% per annum, is also convertible in certain circumstances into shares of common stock.

The restated certificate of incorporation provides that if certain information that the Company has furnished or may be required to furnish to the holders of its Series A is materially false or misleading, the Company may be required to redeem Series A or securities into which such stock is convertible, subject to the terms of any agreement with unaffiliated senior lenders and the indenture relating to the Notes.

Both the restated certificate of incorporation and stockholder agreement provide that, subject to certain conditions, during the period from January 1, 2006 through March 2006, the Company may exercise an option to redeem all of the shares of Series A or securities into which such stock has been converted at a price calculated on the basis of the Company's results of operations during 2005.

Under the amendments, in certain circumstances beginning in 2006, the holders of Series A or the securities into which such stock is convertible, can require that the Company and the other stockholders take actions necessary or desirable to effect the sale of the Company or its stock.

The Company also granted to the holders of Series A the right to require the Company to register for resale the common stock issuable upon conversion of their preferred stock for sale under the Securities Act of 1933 following the registered exchange offer for the notes. Upon the consummation of an initial public offering of shares of the Company's common stock that satisfies certain conditions, all outstanding shares of preferred stock would convert automatically into shares of the Company's common stock.

As a result of the amendments, the previously mandatorily redeemable preferred stock has been reclassified into stockholders' equity as of December 31, 2003.

The total accretion of the Series A issuance costs and the beneficial conversion feature was $4,592,710 and $3,799,698 for the year ended December 31, 2004 and 2003, respectively. Such amounts were charged to retained earnings.

11. Warrants

On July 13, 2000 and September 21, 2000, a total of 4,050 warrants to purchase Series A were issued to a third party consultant at an exercise price of $187.41 per share. The warrants are exercisable for a five-year period subsequent to the grant date. The fair value of each warrant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Dividend yield	0%
Risk-free interest rate	5.98%-6.40%
Stock price volatility	.405 - .425
Expected life (years)	4-5 years

The estimated fair value of the warrants at the date of grant was $274,050. The value of the warrants is a cost associated with the Series A transaction. As such, the fair value of the warrants is being accreted into the value of the Series A (see Note 10). During 2004, the holder of these warrants elected to exercise one warrant in exchange for one share of the Company's Preferred Stock Series A.

12. Stock Options

The Company has a Stock Option Plan under which incentive and non-qualified stock options may be granted to its employees, officers, directors and others. The Company typically grants stock options to employees with exercise prices not less than the estimated fair market value of the Company's stock at the date of grant. Certain stock options vest over various stated periods up to five years unless certain performance goals are met, at which time vesting is accelerated. In the event of an Initial Public Offering or a defined liquidity event, certain of these options vest immediately. Other stock options vest only following an Initial Public Offering or a defined liquidity event.

On December 15, 2000, the Company issued options to an executive employee to purchase 22,222 shares of common stock at an exercise price of $187.41 per share. The options are exercisable as follows: 4,222 on December 15, 2000 and 6,000 on each of December 31, 2001, 2002 and 2003 through December 15, 2020. This employee was terminated on March 11, 2002 at which time options to purchase 16,222 shares had vested. These options include a provision for a type of cashless exercise that results in the options being accounted for as a variable award and accordingly, compensation expense of $3,923,577 for 2002 was recorded as a non-cash component of selling, general and administrative expense.

On December 1, 2002, the Company entered into an agreement which originally expired on May 31, 2004 with this former employee that among other things: (a) removed the cashless exercise feature and (b) granted the Company a call on these options for the net of tax proceeds of $5,000,000. This agreement was extended until May 31, 2006.

The following table illustrates the effect on net income if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation", to stock-based employee compensation:

Year ending December 31,	**2004**	2003
Net income, as reported	**$ 22,010,988**	$ 13,268,578
Add: stock-based employee compensation expense included in reported net income, net of tax	—	—
Add (Deduct): total stock-based employee compensation expense determined under fair value based method for all awards, net of tax	**95,708**	(1,179,252)
	$ 22,106,696	$ 12,089,326

A summary of the status of the Company's stock option plan as of December 31, 2004 and 2003 and changes during the years then ended is as follows:

	Options Outstanding		*Options Exercisable*	
	Shares	*Weighted Average Exercise Price*	*Shares*	*Weighted Average Exercise Price*
December 31, 2002	79,108	512.98	34,041	466.43
Issued	11,700	904.42		
Cancelled	(9,253)	539.55		
Exercised				
December 31, 2003	81,555	$512.98	35,022	$366.48
Issued	6,250	783.97		
Cancelled	(10,800)	842.02		
Exercised				
December 31, 2004	77,005	$474.07	35,022	$366.48

The following table summarizes information about stock options outstanding at December 31, 2004:

Range of Exercise Prices	*Number Outstanding*	*Weighted Average Exercise Price*	*Number Exercisable*	*Weighted Average Exercise Price*
$ 21.00	2,000	$ 21.00		
187.41	16,222	187.41	16,222	$187.41
219.27	3,433	219.27		
521.00	43,000	521.00	18,800	521.00
783.97	6,250	783.97		
805.32	1,500	805.32		
904.42	4,600	904.42		
$21.00 - $904.42	77,005	$474.07	35,022	$366.48

The options will generally vest at various dates.

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions for 2004 and 2003:

	2004	2003
Risk free interest rate	**4.9%**	4.9%
Volatility factor	**.56**	.56
Weighted-average expected life	**5 years**	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changers in the subjective input assumptions can materially affect fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The effect of the pro forma information, in accordance with Financial Accounting Standards Board SFAS No. 123, "Accounting for Stock-Based Compensation" was determined to be immaterial.

13. Employee Benefit Plan

The Company sponsors a defined contribution plan for its employees. All employees are eligible to participate in the plan after meeting the age and service requirements. The Company does not provide matching contributions for its employees.